Euler Trade Indemnity Pension Scheme

Statement of Investment Principles

May 2025

Preface

Scheme background

This Statement of Investment Principles (the ‘SIP’) details the principles governing investment decisions for the Euler Trade Indemnity Pension Scheme (the ‘Scheme’).

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Scheme is closed to new entrants. The Scheme has secured annuity policies that will provide members’ benefits in full.

Regulatory requirements and considerations

Under the Pensions Act 1995 (the ‘Act’) and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (the ‘Investment Regulations’), the Trustees must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

The Trustees have taken into account the requirements and recommendations within The Pensions Regulator's general code of practice, in respect of DB assets (including additional voluntary contribution (AVC) arrangements). The Trustees are responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing their investment strategy, the Trustees have had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustees will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Scheme’s technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustees draw on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

Consultation

In accordance with the Act, the Trustees have obtained and considered written advice from Gallagher (Administration & Investment) Limited (the ‘investment consultant’) prior to the preparation (or revision) of this SIP and have consulted Euler Hermes (the ‘Sponsoring Employer’). However, it should be noted that neither the Trustees (nor any investment manager to whom they have delegated any discretion to make decisions about investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

History and review

The Trustees will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme’s liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Scheme members on request.

Previous versions of this SIP are dated:

SIP dated May 2024

SIP dated May 2023

SIP dated February 2023

SIP dated November 2021

SIP dated September 2020

SIP dated September 2019

SIP dated December 2018

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Statement of Investment Principles

Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure. The Trustees will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustees will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. Investment management agreements and/or an insurance contract have been exchanged with the investment managers and are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustee Board is suitable for the Scheme, and appropriately diversified.

Investment strategy and objectives

The Scheme's investment strategy has been agreed by the Trustees having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of the Scheme's liability profile along with the level of disclosed surplus or deficit.

The agreed investment strategy involves the pensioner and deferred member liabilities being secured by annuity policies with multiple insurance providers.

The Trustees also hold temporary investments in the Barings Private Corporate Debt Fund and the Allianz Infrastructure Debt Fund which are in the process of being realised in order to finalise the buy-in of the Scheme liabilities through annuity policies.

When selecting suitable Additional; Voluntary Contributions ('AVC') arrangements, the Trustee considered the returns expected from the various asset classes over the long-term and the associated investment risks. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustee is prepared to accept this higher volatility in order to aim to achieve the overall investment objectives.

In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act. Details are included in the Summary of Investment Arrangements document.

The Trustees' policy in relation to the kinds of investments to be held
The Trustees have full regard to their investment powers as set out in rule 51 of the Trust Deed and Rules dated 9 May 2011.

The Trustee has invested in the buy-in policy to insure all economic and longevity risk associated with the liabilities of members covered by the policy with an insurance company that is financially strong.

The majority of the Scheme's assets are held in annuity policies, while the Scheme continues to provide AVC investment arrangements.

The Scheme may also invest in quoted and unquoted securities of UK and overseas markets including:

- Equities.
- Fixed interest and index-linked bonds.
- Cash.
- Property.
- Private equity.
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustees have considered the attributes of the various asset classes (including derivative instruments), these attributes being:

- Security (or quality) of the investment.
- Yield (expected long-term return).
- Spread (or volatility) of returns.
- Term (or duration) of the investment.
- Exchange rate risk.
- Marketability/liquidity.
- Taxation.

The Trustees consider the temporary holdings in private debt pending full redemption and cash to be suitable to the circumstances of the Scheme. The Scheme may invest in a combination of pooled funds, bespoke portfolios and/or cash.

The Trustees' policy in relation to the balance between different kinds of investments
For the remaining assets outside of the annuity policies, the appointed investment managers will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities. Full details are set out in the Summary of Investment Arrangements.

The Trustees' policy in relation to the expected return on investments
The investment strategy is believed to be capable of meeting the Trustees' objective of meeting the Scheme's liabilities as they fall due.

The Trustee's policy in relation to the realisation of investments
The annuity policies are an illiquid investment and cannot be surrendered, sold or "cashed-in" in the future. It is an asset that is expected to be held in perpetuity until members' benefits are paid in full.

The Trustees consider the temporary holdings in private debt pending full redemption and cash to be suitable to the circumstances of the Scheme.

The Scheme's AVC investments are secure, of high-quality and of sufficient liquidity.

The Trustees' policy in relation to financially material considerations
The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustees review, from time to time, the investment managers' policies in respect of financially material considerations.

Where appropriate, the Trustees will take into account the approach to financially material considerations in deciding whether to retain or appoint investment managers.

The Trustees' policy in relation to the extent to which non-financial matters are taken into account
The financial interests of the Scheme members are the Trustees' first priority when choosing investments. The Trustee has decided not to take members' preferences into account when determining the suitability of the investments.

Risk capacity and risk appetite

The Trustees, after seeking appropriate professional advice, have secured annuity policies that will provide members' benefits in full.

The temporary investments in the Barings Private Corporate Debt Fund and the Allianz Infrastructure Debt Fund are in the process of being realised in order to finalise the buy-in of the Scheme liabilities through the settlement of outstanding deferred buy-in policy premiums.

The Trustees' policy in relation to risks
The Trustees consider the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. This is considered to be a very small risk given the holding in the annuity policies and the remaining assets with Barings and Allianz. The risk of the providers of the annuity policies failing is expected to be very low. The Trustees have assessed the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Scheme's Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining their investment strategy, the Trustees received advice as to the appropriateness of the use of a buy-in policy, the impact this is expected to have on future funding level and the key risks involved in realising assets to settle the outstanding deferred premium.

The Trustees are satisfied that annuity policies reduce the following risks for an ongoing Scheme:

- Investment market fluctuations
- Longevity
- Operational

- Funding
- Sponsor covenant risks

Each AVC arrangement in which the Trustee invests has a stated performance objective against which investment performance will be measured. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

Stewardship in relation to the Scheme's assets

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

The Trustees recognise that the existing investment strategy provides only limited potential to influence engagement due to the nature of the assets held.

The Trustees' policy in relation to engagement and monitoring (including peer to peer engagement)
The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustees recognises that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment.

As most investments are held in either pooled vehicles or in insurance contracts, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustees' policy in relation to voting rights
The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

Investment management monitoring

The Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant. For the purposes of this section, the buy-in provider is not considered to be an 'investment manager'.

The overall performance of the investment managers is monitored by the Trustees with the assistance of the investment consultant. The investment managers will provide the Trustees with quarterly statements of the assets held along with a quarterly performance report. The investment managers will also report orally on request to the Trustees. The Trustees receive an independent investment performance monitoring report from the investment consultant on a quarterly basis.

The Trustees will assess the quality of the performance and processes of the investment managers by means of a review on a regular basis in consultation with the investment consultant.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

The Trustees’ policy in relation to their investment managers
In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees’ policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the trustees’ policies**

  The Trustees have delegated the day-to-day management of the Scheme’s assets to investment managers. The Scheme’s assets are invested mainly in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

  The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific approach to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme’s performance) over an appropriate time horizon.

  The Trustees also expect their investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members’ financial interests.

- **How the method (and time horizon) of the evaluation of the investment manager’s performance and the remuneration for asset management services are in line with the Trustees’ investment policies**

  The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at three years of performance.

  If the Trustees determine that the investment managers are no longer managing the assets in line with the Trustees policies, they will make their concerns known to the investment manager and may ultimately disinvest.

The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management. Some managers may have a performance-related fee in addition, which is dependent on the relative performance of the fund.

Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

  The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Scheme on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Scheme.

  The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

  The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believes that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

  The annuity policies cannot be surrendered and are expected to be an asset held until the last benefit payment is made.

  In relation to the residual assets, the Trustees will not enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective. The exception to this is the Allianz Infrastructure Debt agreement, which is a very long-term agreement. The Trustees are comfortable with this given the nature and size of the investment and the diversification benefits it provides.

Employer-related investments

The Trustee will not make direct investments in the Sponsoring Employer's own securities.

Additional voluntary contributions (AVCs)

The Trustees have full discretion as to the appropriate investment vehicles made available to members of the Scheme for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustees, having taken appropriate written advice from their investment advisers.

In selecting the range of funds offered, the Trustees have taken advice from their professional advisers on:

- The risks faced by members in investing on a money purchase basis.
- The Trustees' responsibilities in the selection and monitoring of the investment options offered.

The Trustee will periodically review the continuing suitability of the AVC arrangements, taking professional advice accordingly. Members are directed to seek independent financial advice when considering their AVC arrangements.

Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultants are Gallagher (Administration & Investment) Limited.
- The investment managers are detailed in the Summary of Investment Arrangements.
- For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is Ben White of Gallagher.
- The provider of the Scheme's AVC arrangements are:
  - Clerical Medical
  - Utmost Life & Pensions Limited
  - Aviva

Trustees

The Trustees' primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment managers.
- Appointing investment consultants and investment managers as necessary for the good stewardship of the Scheme's assets.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Assessing the processes and the performance of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment manager(s) have cast votes on behalf of the Trustees if the Scheme were to invest in equity.

Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustees in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustees.

- Advising the Trustees on the selection and review of the investment managers.
- Providing training or education on any investment related matter as and when the Trustees sees fit.
- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment managers

The investment managers' main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Providing the Trustees with quarterly reports and a review of the investment performance of their portfolio.
- Meetings with the Trustees as and when required.
- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund within their portfolio as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.

Compliance

The Scheme's SIP is available to members on request.

A copy of the Scheme's current SIP is also supplied to the Sponsoring Employer, the Scheme's auditors and the Scheme Actuary.

This SIP supersedes all others and was approved by the Trustees.

Full name	
Signature	
Position	
For and on behalf of	
Date	